

THE BALDWIN COMPANY

Cincinnati, April 6, 1936.

ANNUAL REPORT TO SHAREHOLDERS

To the Shareholders of The Baldwin Company:

I submit to you the seventy-third Annual Report, since the establishment of the business, of this Company and its subsidiaries.

Sales for the year 1935, exclusive of small goods and intercompany sales, were \$3,121,303.51, an increase of 17.9% compared with 1934. The business for the year 1935 shows a net profit of \$155,459.09 after deduction for Federal income taxes, interest and depreciation.

Consolidated Balance Sheets as of December 31st, 1934 and 1935 and Analysis of Surplus Accounts, for the year 1935 are included herewith. Comparison of these statements reveal changes in the more important items as follows:

There is a reduction in the amount of cash on hand compared with a year ago, but the value of our inventories has been correspondingly increased, a natural result of the increased business activity which we enjoyed during 1935 compared with former years. The total of Current Assets, \$3,929,226.07, is practically the same as last year. There has been an increase in the Current Liabilities of the Company, made up of an increase in Accounts Payable of \$45,472.10, due to increased business activity, and the provision for Federal income tax of \$23,832.00. The ratio of Current Assets to Current Liabilities, 18.5 to 1, still is very high.

The increase of \$112,475.46 in Real Estate and Buildings, reflects principally the acquisition of the property where our New York Store is located at No. 20 East 54th Street, which purchase was reported to you in last year's report, although not reflected in the balance sheet. On the liability side of the statement there is shown a \$50,000.00 real estate mortgage, which was a lien on the New York property when we purchased the same, and has not been disturbed.

This is the first time in seven years that we have been able to show an increase in the earned surplus of the business after payment of dividends. During the year 1935 the regular dividends of \$6.00 per share were paid on the Preferred Stock, and on December 28, 1935, a small dividend of twenty cents per share was paid to the holders of the Common Stock. The net increase in earned surplus after these charges amounted to \$19,164.58.

Factory shipments for the year continued to increase compared with the previous year, and permitted us to operate on a fairly even basis throughout the year.

As reported to you last year, labor costs and costs of materials used in the manufacture of pianos, have continued on a steadily rising trend; yet, because of keen competition, there has been little if any corresponding increase in the sales prices secured for the merchandise. The result has been a decreasing margin of profit which is a serious problem for us to deal with.

During the past year, the piano industry has developed some new and very striking designs in small upright pianos. Our contribution to this development has been the Acrosonic Scale in the Howard piano, presented in three extremely attractive designs. The public has given evidence of increasing interest in these new designs, and our dealers have been most enthusiastic in their comments on the Acrosonic Scale.

Prospects for 1936, generally speaking, are good. Volume of business done so far is ahead of last year. With a steady and improving trend in general business, we look forward to the balance of 1936 with confidence and the hope of continued progress.

Respectfully submitted,

THE BALDWIN COMPANY
Lucien Wulsin, President

THE BALDWIN COMPANY AND
CONDENSED CONSOLIDATED
AS AT DECEMBER 31, 1935

| ASSETS | December 31, 1935 | December 31, 1934 |
|-----------------------------------|-----------------------|-----------------------|
| Cash ----- | \$ 245,115.97 | \$ 635,067.56 |
| Notes and Accounts Receivable— | \$2,633,764.88 | \$2,576,454.90 |
| Less: Dealers' Contingent | | |
| Equities ----- | 482,581.69 | 420,616.81 |
| | <u>\$2,151,183.19</u> | <u>\$2,155,838.09</u> |
| Less: Provision for Possible Loss | 423,975.41 | 413,681.34 |
| Inventories ----- | 1,727,207.78 | 1,742,156.75 |
| | <u>1,956,902.32</u> | <u>1,602,319.07</u> |
| Total Current Assets ----- | \$3,929,226.07 | \$3,979,543.38 |
| Plant and Equipment: | | |
| Real Estate and Buildings ----- | \$1,198,187.64 | \$1,085,712.18 |
| Machinery and Equipment ----- | 996,525.96 | 988,465.99 |
| | <u>\$2,194,713.60</u> | <u>\$2,074,178.17</u> |
| Less: Reserve for Depreciation-- | 1,308,394.49 | 886,319.11 |
| Other Assets ----- | 28,995.00 | 1,276,410.33 |
| Deferred Charges to Future | | 797,767.84 |
| Operations ----- | 8,354.35 | 4,952.53 |
| Total Assets ----- | <u>\$4,852,894.53</u> | <u>\$4,810,263.75</u> |

ANALYSIS OF CONSOLIDATED SURPLUS ACCOUNT

| | |
|---|--------------------|
| | Total |
| Balances at January 1, 1935 | \$1,513,856 |
| Add: | |
| Discount on Preferred Stock purchased during year ----- | 635 |
| Net Profit for year ended De- cember 31, 1935 (before De- preciation and Federal In- come Tax) ----- | 235,480 |
| | <u>\$1,749,972</u> |
| Deduct: | |
| Additions to Depreciation Re- serve ----- | \$ 56,189.26 |
| Provision for Federal Income Tax—1935 ----- | 23,832.00 |
| Adjustment of Depreciation— prior years ----- | 320.51 |
| Dividends on Preferred Stock Net ----- | 109,218.00 |
| Dividend on Common Stock-- | <u>26,756.00</u> |
| Balances at December 31, 1935----- | <u>\$1,533,656</u> |

CERTIFICATE

We have audited the books of account and subsidiary companies as at December 31, 1935, Secretary as to the accuracy of the inventories. that the above balance sheet reflects the financial subsidiaries at December 31, 1935, and that the

AND SUBSIDIARY COMPANIES
ATED BALANCE SHEETS
S AND DECEMBER 31, 1934

| LIABILITIES AND CAPITAL | December 31, 1935 | December 31, 1934 |
|------------------------------------|-------------------|-------------------|
| Accounts Payable..... | \$ 139,997.38 | \$ 94,525.28 |
| Accrued Expenses | | |
| Taxes and Wages..... | 48,149.64 | 53,484.86 |
| Federal Income Tax—Current..... | 23,832.00 | 0.00 |
| Total Current Liabilities..... | \$ 211,979.02 | \$ 148,010.14 |
| Mortgage Payable | 50,000.00 | 0.00 |
| Deferred Credits | 63,847.00 | 100,500.18 |
| Reserve for Contingencies | 117,019.48 | 119,004.48 |
| Capital Stock: | | |
| Preferred | \$2,232,700.00 | \$2,232,700.00 |
| Less: In Treasury..... | 426,600.00 | 374,100.00 |
| | \$1,806,100.00 | \$1,858,600.00 |
| Common | 1,070,292.80 | 1,070,292.80 |
| | 2,876,392.80 | 2,928,892.80 |
| Surplus: | | |
| Capital | \$ 279,211.87 | \$ 278,576.37 |
| Earned | 1,254,444.36 | 1,235,279.78 |
| Total Liabilities and Capital..... | \$4,852,894.53 | \$4,810,263.75 |

OUNTS FOR YEAR ENDED DECEMBER 31, 1935

| | Capital Surplus | Earned Surplus |
|----|-----------------|----------------|
| 15 | \$ 278,576.37 | \$1,235,279.78 |
| 50 | 635.50 | |
| 35 | | 235,480.35 |
| 00 | \$ 279,211.87 | \$1,470,760.13 |
| | | |
| | \$ 56,189.26 | |
| | 23,832.00 | |
| | 320.51 | |
| | 109,218.00 | |
| 77 | 26,756.00 | 216,315.77 |
| 23 | \$ 279,211.87 | \$1,254,444.36 |

IFICATE

d record of The Baldwin Company and its sub-
accepting a certification from the company's
Subject to this qualification, we hereby certify
ial condition of The Baldwin Company and its
e accompanying surplus analysis is correct.

MURPHY, LANIER & QUINN.

THE BALDWIN COMPANY

OFFICERS:

| | |
|-------------------------|-------------------------|
| Lucien Wulsin..... | President and Treasurer |
| J. P. Thornton..... | Vice-President |
| Philip Wyman..... | Vice-President |
| A. J. Schoenberger..... | Secretary |
| W. H. Smith..... | Asst. Treasurer |
| C. W. Fessler..... | Asst. Secretary |

DIRECTORS:

| | |
|------------------|---------------|
| Lucien Wulsin | Wm. J. Rielly |
| Cincinnati | Cincinnati |
| J. P. Thornton | Philip Wyman |
| Cincinnati | Cincinnati |
| Geo. W. Lawrence | |
| Cincinnati | |

GENERAL OFFICES:

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

PRINCIPAL SELLING OFFICES:

| | | |
|------------|---------|---------------|
| Cincinnati | Chicago | New York |
| St. Louis | Denver | San Francisco |
| Pittsburgh | | Louisville |

EXPORT OFFICES:

| | | |
|----------|------------|---------------|
| New York | Cincinnati | San Francisco |
|----------|------------|---------------|

SUBSIDIARY COMPANIES:

| | |
|--------------------------------|----------------------------|
| The Baldwin Piano Company | The Howard Piano Company |
| The Baldwin Piano Mfg. Company | The Hamilton Piano Company |
| The Ellington Piano Company | The Monarch Piano Company |